

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Chocolay	County Marquette
Audit Date 12/31/05	Opinion Date 3/3/06	Date Accountant Report Submitted to State: 4-12-06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASL GU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLLC			
Street Address 102 W. Washington St, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael J. CPA			

**CHARTER TOWNSHIP OF CHOCOLAY,  
MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2005**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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ESCANABA  
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WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

Supervisor and Members of  
the Township Board of Trustees  
Charter Township of Chocoday, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, of the Charter Township of Chocoday, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds and remaining fund information of the Charter Township of Chocoday, Michigan at December 31, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and budgetary comparison information on pages 5 through 10 and 36 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Supervisor and Members of  
The Township Board of Trustees  
Charter Township of Chocoday, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated March 3, 2006 on our consideration of the Charter Township of Chocoday, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Chocoday, Michigan's basic financial statements. The schedules listed as additional information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Charter Township of Chocoday, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 3, 2006

## Charter Township of Chocoday, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocoday's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2005. Please read it in conjunction with the financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$472,239 as a result of this year's operations. Net assets of our business-type activities increased by \$26,578, or 1 percent, and net assets of our governmental activities increased by \$445,661, or 19 percent.
- During the year, the Township had expenses for governmental activities that were \$1,325,871 and expenses for business type activities that were \$200,649.
- The General Fund reported a net fund balance of \$924,155. Net income was \$177,042 higher than the forecasted no change in fund balance.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Township as a Whole**

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment is reported here.

### Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The Township as a Whole

Table I provides a summary of the Township's net assets as of December 31, 2005 and 2004.

Table 1 Net Assets				
	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Total Primary Government – 2004
Current and other assets	\$2,837,108	\$912,013	\$3,749,121	\$2,972,948
Non-current assets	696,523	1,330,861	2,027,384	2,345,735
Total Assets	<u>3,533,631</u>	<u>2,242,874</u>	<u>5,776,505</u>	<u>5,318,683</u>
Current liabilities	596,830	21,502	618,332	608,595
Non-current liabilities	92,704	32,921	125,625	149,779
Total Liabilities	<u>689,534</u>	<u>54,423</u>	<u>743,957</u>	<u>758,374</u>
Net Assets:				
Invested in capital assets, net of related debt	696,523	848,217	1,544,740	1,843,734
Restricted	-	20,367	20,367	19,825
Unrestricted (deficit)	<u>2,147,574</u>	<u>1,319,867</u>	<u>3,467,441</u>	<u>2,696,750</u>
Total Net Assets	<u>\$2,844,097</u>	<u>\$2,188,451</u>	<u>\$5,032,548</u>	<u>\$4,560,309</u>

Net assets of the Township's governmental activities stood at \$2,844,097. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,147,574.

The \$2,147,574 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$2,188,451. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Table 2 Change in Net Assets				
	Governmental Activities - 2005	Business-Type Activities - 2005	Total Primary Government - 2005	Total Primary Government - 2004
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$248,050	\$208,016	\$456,066	\$433,107
Capital Grants and Contributions	66,682	-	66,682	-
General Revenues:				
Property taxes	559,781	-	559,781	529,640
State Sources	463,063	-	463,063	468,024
Interest	34,842	19,211	54,053	31,506
Miscellaneous	399,113	-	399,113	133,563
Total Revenues	<u>1,771,531</u>	<u>227,227</u>	<u>1,998,758</u>	<u>1,595,840</u>



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2  
Change in Net Assets

	Governmental Activities - 2005	Business-Type Activities - 2005	Total Primary Government - 2005	Total Primary Government - 2004
Program Expenses:				
Legislative	\$27,058	\$-	\$27,058	\$26,880
Elections	2,773	-	2,773	8,279
General Services and Administration	280,794	-	280,794	232,245
Public Safety	373,076	-	373,076	397,128
Public Works	109,179	-	109,179	127,986
Community & Economic Dev.	35,066	-	35,066	41,943
Recreation and Culture	112,878	-	112,878	142,670
Other	289,735	-	289,735	325,498
Capital Outlay	95,312	-	95,312	-
Wastewater Treatment	-	200,649	200,649	206,449
Total Expenses	<u>1,325,871</u>	<u>200,649</u>	<u>1,526,520</u>	<u>1,509,078</u>
Excess (deficiency) before transfers	445,661	26,578	472,239	86,762
Transfers	-	-	-	-
Increase (decrease) in net assets	445,661	26,578	472,239	86,762
Net assets, beginning	2,398,436	2,161,873	4,560,309	4,473,547
Net Assets, Ending	<u>\$2,844,097</u>	<u>\$2,188,451</u>	<u>\$5,032,548</u>	<u>\$4,560,309</u>

The Township's total revenues were \$1,998,758. The total cost of all programs and services was \$1,526,520, leaving an increase in net assets of \$472,239. Our analysis below separately considers the operations of governmental and business-type activities:

## ***Governmental Activities***

The net assets of the Township's governmental activities increased \$445,661 for the year ended December 31, 2005.

The Governmental Type activities had a net income of \$445,661, which is made up of net income of \$716,523 from the governmental funds minus \$275,209 of expenditures relating to capital assets minus \$12,255 of the principal payment of the landfill bond and an additional decrease of expenditures of \$7,908 relating to the change in compensated absences.

## ***Business-type Activities***

During the year ended December 31, 2005, the net assets of the Township's business type activities increased by \$26,578.

The net income of \$26,578 is due to charging the users for the bond payment which pays off a liability creating net income.

## **THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$2,268,814 which is an increase of \$716,523 from the beginning of the year.

The governmental funds had a net income of \$716,523 which was due to \$450,000 sale of the community center, \$53,000 in reduced health insurance fees, \$86,000 from KBIC money, \$45,000 in excess sanitation fees over expenditures and \$25,000 more then budgeted from Charter Franchise Fees; leaving all other activities with a net income of \$57,523.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times. Amendments resulted in a net increase of \$0. With these adjustments, actual charges to expenditures were \$258,840 less than the final amended budget. Conversely, revenues were \$48,598 less than the final budget projection.

We made several budgetary adjustments to adjust expenditure line items. We did large revenue budget amendments from the KBIC money. We offset this in fire police, recreation budgeted from the KBIC money. Additionally, we brought in a couple of grants in the police department to cover actual costs.

The difference between the final budget and actual revenue was a negative variance of \$81,798, which is due to \$25,285 in franchise fees that were under budgeted. \$10,609, in additional refuse coll. State revenue sharing was decreased by \$13,970. Police grants were under budgeted by \$19,439. Due to recording the \$86,000 in KBIC monies in the capital improvement funds instead of the budget general fund showing a difference of (\$116,398), and an increase in all other revenues of \$1,503.

Expenses were \$258,840 less than budgeted. Refuse collection was \$53,050 less than budgeted. Police Department came in \$12,358 less than budget. Fire Department came in \$14,131 less than budget. Parks and Properties came in \$27,171 less than budget.

Other miscellaneous expense came in \$98,532 under budget because we did not have to use our entire contingency and Hospitalization insurance was \$52,206 under budget. The additional \$53,598 positive variance was due to across the board immaterial differences.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2005, the Township had \$1,594,201 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3  
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2005	Business-Type Activities - 2005	Totals - 2005	Totals - 2004
Land	\$190,000	\$ 5,555	\$ 195,555	\$ 195,555
Land improvements	131,867	-	131,867	147,667
Buildings and improvements	242,125	892,123	1,134,248	1,376,698
Equipment and furnishings	132,531	-	132,531	189,815
	<u>\$696,523</u>	<u>\$897,678</u>	<u>\$1,594,201</u>	<u>\$1,909,735</u>

The Township purchased a new Tractor for \$7,455, a new Thermal Imaging Camera for the fire department for \$10,500, a new sewer inspection system for \$9,301 from the Sewer Fund and a new snowmobile for the police department for \$6,891. The majority of these assets were purchased from the Capital Improvements Fund. The Township sold the community center for a gain of \$266,988; and recorded depreciation expense of \$167,598.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Debt

At year-end, the Township had \$110,738 in bonds and notes outstanding as depicted in Table 4 below.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities - 2005	Business-Type Activities - 2005	Totals - 2005	Totals - 2004
General Obligation Bonds	<u>\$61,277</u>	<u>\$49,461</u>	<u>\$110,738</u>	<u>\$139,533</u>

There was no new debt for this fiscal year and further debt can be found in Note G.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending December 31, 2006 we anticipate a normal increase in expenditures being offset by normal increases in revenue.

### CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Chocolay, 5010 U.S. Highway 41 South, Marquette, MI 49855.

Charter Township of Chocolay, Michigan

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,263,176	\$ 804,569	\$ 3,067,745
Cash and cash equivalents - restricted	-	20,367	20,367
Receivables (net)	573,932	87,077	661,009
<b>TOTAL CURRENT ASSETS</b>	<b>2,837,108</b>	<b>912,013</b>	<b>3,749,121</b>
Non-current assets:			
Investment in treatment facility	-	433,183	433,183
Capital Assets			
Land and construction in progress	190,000	5,555	195,555
Other capital assets	1,856,881	2,157,769	4,014,650
Accumulated depreciation	(1,350,358)	(1,265,646)	(2,616,004)
Total Capital Assets	696,523	897,678	1,594,201
<b>TOTAL NON-CURRENT ASSETS</b>	<b>696,523</b>	<b>1,330,861</b>	<b>2,027,384</b>
<b>TOTAL ASSETS</b>	<b>3,533,631</b>	<b>2,242,874</b>	<b>5,776,505</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	25,888	3,800	29,688
Accrued liabilities	15,777	814	16,591
Deferred revenue	526,629	-	526,629
Current portion of bonds payable	13,545	16,540	30,085
Current portion of compensated absences	14,991	-	14,991
Security deposits	-	348	348
<b>TOTAL CURRENT LIABILITIES</b>	<b>596,830</b>	<b>21,502</b>	<b>618,332</b>
Non-current Liabilities:			
Compensated absences	44,972	-	44,972
Bonds payable	47,732	32,921	80,653
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>92,704</b>	<b>32,921</b>	<b>125,625</b>
<b>TOTAL LIABILITIES</b>	<b>689,534</b>	<b>54,423</b>	<b>743,957</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	696,523	848,217	1,544,740
Restricted for:			
Debt Service	-	20,367	20,367
Unrestricted	2,147,574	1,319,867	3,467,441
<b>TOTAL NET ASSETS</b>	<b>\$ 2,844,097</b>	<b>\$ 2,188,451</b>	<b>\$ 5,032,548</b>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocoma, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended December 31, 2005

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
Legislative	\$ 27,058	\$ -	\$ -	\$ -	\$ (27,058)	\$ -	\$ (27,058)
Elections	2,773	-	-	-	(2,773)	-	(2,773)
General services and administration	280,794	60,054	-	-	(220,740)	-	(220,740)
Public safety	373,076	31,673	-	-	(341,403)	-	(341,403)
Public works	109,179	156,323	-	-	47,144	-	47,144
Community and economic development	35,066	-	-	-	(35,066)	-	(35,066)
Recreation and culture	112,878	-	-	-	(112,878)	-	(112,878)
Other	289,735	-	-	-	(289,735)	-	(289,735)
Capital Outlay	95,312	-	-	66,682	(28,630)	-	(28,630)
Total Governmental Activities	1,325,871	248,050	-	66,682	(1,011,139)	-	(1,011,139)
<b>Business Type Activities:</b>							
Wastewater treatment	200,649	208,016	-	-	-	7,367	7,367
Total Business Type Activities	200,649	208,016	-	-	-	7,367	7,367
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,526,520</b>	<b>\$ 456,066</b>	<b>\$ -</b>	<b>\$ 66,682</b>	<b>(1,011,139)</b>	<b>7,367</b>	<b>(1,003,772)</b>
General Revenues:							
Taxes					559,781	-	559,781
Unrestricted State sources					463,063	-	463,063
Interest and investment earnings					34,842	19,211	54,053
Miscellaneous					399,114	-	399,114
Transfers					-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>1,456,800</b>	<b>19,211</b>	<b>1,476,011</b>
<b>CHANGE IN NET ASSETS</b>							
Net assets, beginning of year					445,661	26,578	472,239
					2,398,436	2,161,873	4,560,309
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 2,844,097</b>	<b>\$ 2,188,451</b>	<b>\$ 5,032,548</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

December 31, 2005

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 918,517	\$ 1,344,659	\$ 2,263,176
Receivables	180,476	-	180,476
Taxes receivable	331,384	-	331,384
Due from other funds	62,072	-	62,072
<b>TOTAL ASSETS</b>	<b>\$ 1,492,449</b>	<b>\$ 1,344,659</b>	<b>\$ 2,837,108</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 25,888	\$ -	\$ 25,888
Accrued payroll and related	15,777	-	15,777
Deferred revenue	526,629	-	526,629
<b>TOTAL LIABILITIES</b>	<b>568,294</b>	<b>-</b>	<b>568,294</b>
<b>FUND BALANCE:</b>			
Unreserved, reported in:			
General Fund	924,155	-	924,155
Capital Projects Funds	-	1,344,659	1,344,659
<b>TOTAL FUND BALANCE</b>	<b>924,155</b>	<b>1,344,659</b>	<b>2,268,814</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,492,449</b>	<b>\$ 1,344,659</b>	<b>\$ 2,837,108</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

December 31, 2005

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 2,268,814</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	696,523
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 13,545	
Current portion of compensated absences	14,991	
Compensated absences	44,972	
Bonds payable	<u>47,732</u>	
		<u>(121,240)</u>

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 2,844,097</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocoday, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended December 31, 2005

	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes	\$ 553,959	\$ -	\$ 553,959
Licenses and permits	6,769	-	6,769
State sources	500,558	66,682	567,240
Charges for services	209,608	-	209,608
Interest	17,349	17,493	34,842
Other	45,824	535,373	581,197
<b>TOTAL REVENUES</b>	<b>1,334,067</b>	<b>619,548</b>	<b>1,953,615</b>
<b>EXPENDITURES:</b>			
Current operations:			
Legislative	27,058	-	27,058
Elections	2,773	-	2,773
General services and administration	245,750	-	245,750
Public safety	313,343	-	313,343
Public works	120,564	-	120,564
Community and economic development	35,066	-	35,066
Recreation and culture	89,536	-	89,536
Other	289,735	-	289,735
Capital outlay	-	113,267	113,267
<b>TOTAL EXPENDITURES</b>	<b>1,123,825</b>	<b>113,267</b>	<b>1,237,092</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>210,242</b>	<b>506,281</b>	<b>716,523</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	33,200	33,200
Transfers (out)	(33,200)	-	(33,200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,200)</b>	<b>33,200</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>177,042</b>	<b>539,481</b>	<b>716,523</b>
Fund balance, beginning of year	747,113	805,178	1,552,291
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 924,155</b>	<b>\$ 1,344,659</b>	<b>\$ 2,268,814</b>

The accompanying notes are an integral part of these financial statements.



**Charter Township of Chocolay, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended December 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ 716,523**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 24,846	
Depreciation expense	(117,972)	
Gain (loss) on disposal	<u>(182,083)</u>	
		(275,209)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

12,255

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(7,908)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 445,661**

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

December 31, 2005

	<b>Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund</b>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 804,569
Cash and cash equivalents - restricted	20,367
Accounts receivable, net	86,150
Due from other funds	927
<b>TOTAL CURRENT ASSETS</b>	<b>912,013</b>
Non-current Assets:	
Investment in wastewater treatment facility	433,183
Land and construction in progress	5,555
Capital assets	2,157,769
Accumulated depreciation	(1,265,646)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,330,861</b>
<b>TOTAL ASSETS</b>	<b>2,242,874</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	3,800
Accrued payroll and related liabilities	814
Security deposits	348
Current portion of long-term debt	16,540
<b>TOTAL CURRENT LIABILITIES</b>	<b>21,502</b>
Non-current Liabilities:	
Bond payable	32,921
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>32,921</b>
<b>TOTAL LIABILITIES</b>	<b>54,423</b>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	848,217
Restricted - debt service	20,367
Unrestricted	1,319,867
<b>TOTAL NET ASSETS</b>	<b>\$ 2,188,451</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended December 31, 2005

	<b>Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services (net)	\$ 207,683
Other operating revenue	333
<b>TOTAL OPERATING REVENUES</b>	<b>208,016</b>
<b>OPERATING EXPENSES:</b>	
Operating expenses	144,921
Depreciation	49,626
<b>TOTAL OPERATING EXPENSES</b>	<b>194,547</b>
<b>OPERATING INCOME (LOSS)</b>	<b>13,469</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment income	19,211
Gain (loss) on investment in wastewater treatment facility	(2,817)
Interest expense	(3,285)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>13,109</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>26,578</b>
<b>CHANGE IN NET ASSETS</b>	<b>26,578</b>
Net assets, beginning of year	2,161,873
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,188,451</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocoday, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended December 31, 2005

	<b>Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from charges for services	\$ 202,544
Other operating revenues	333
Cash payments to employees for services and fringe benefits	(79,443)
Cash payments to suppliers for goods and services	(66,440)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>56,994</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash payments for capital assets	(9,301)
Gain (loss) on investment in wastewater treatment facility	-
Interest payments on bonds	(3,285)
Principal payments on bonds	(16,540)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(29,126)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	19,211
(Additions) deductions to restricted assets	(542)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>18,669</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>46,537</b>
Cash and cash equivalents, beginning of year	758,032
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 804,569</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 13,469
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	49,626
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,909)
(Increase) decrease in due from funds	(230)
Increase (decrease) in accounts payable	(908)
Increase (decrease) in accrued payroll and related liabilities	(54)
Increase (decrease) in security deposits	-
<b>NET ADJUSTMENTS</b>	<b>43,525</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 56,994</b>

The accompanying notes are an integral part of these financial statements.

**Charter Township of Chocolay, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

December 31, 2005

	<u><b>Agency Funds</b></u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 271,456
Due from other funds	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 271,456</u></u>
<b>LIABILITIES:</b>	
Due to other funds	\$ 62,999
Due to others	<u>208,457</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 271,456</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### (3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Capital Projects Fund*** – Capital Projects Fund is used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by business-type/proprietary funds).

#### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Improvement Fund** accounts for the purchase of capital assets of the Township.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

### (4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.



## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

### **(5) FINANCIAL STATEMENT AMOUNTS**

**Budgets and Budgetary Accounting** – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chocolay Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
  1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. The following considerations must be reviewed in determination of transfer approvals:

- a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
- b. Will the transfer maintain the financial integrity of the Township?
- c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Charter Township of Chocoye adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

**Cash Equivalents and Investments** - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

**Long-Term Liabilities:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes** – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

**Compensated Absences** – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Deferred Revenues** – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

General Fund deferred revenue of \$526,629 relating to taxes was levied on December 1, 2005.

**Interfund Activity** – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Unrestricted:			
Cash and cash equivalents	\$3,067,745	\$271,456	\$3,339,201
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,067,745</u>	<u>271,456</u>	<u>3,339,201</u>
Restricted:			
Cash and cash equivalents	20,367	-	20,367
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,367</u>	<u>-</u>	<u>20,367</u>
TOTALS	<u>\$3,088,112</u>	<u>\$271,456</u>	<u>\$3,359,568</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions was \$3,359,568 and the bank balance was \$3,517,341. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$1,000,000
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	<u>2,517,341</u>
TOTAL	<u>\$3,517,341</u>

### Investments

As of June 30, 2005, the Township did not have any investments.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

*Concentration of Credit Risk*

The Township places no limit on the amount the Township may invest in any one issuer.

**NOTE C – INTERFUND BALANCES:**

A summary of interfund receivable and payables are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$62,072	Fiduciary:	\$62,999
Wastewater Treatment	927	Tax Collection	-
<b>TOTAL</b>	<u>\$62,999</u>	<b>TOTAL</b>	<u>\$62,999</u>

**NOTE D – CAPITAL ASSETS:**

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at January 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2005</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 190,000	\$ -	\$ -	\$ 190,000
Total Capital Assets, not being depreciated	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Buildings and improvements	885,000	-	(200,000)	685,000
Land improvements	287,000	-	-	287,000
Furniture and equipment	<u>885,035</u>	<u>24,846</u>	<u>(25,000)</u>	<u>884,881</u>
Total Capital Assets being depreciated	<u>2,057,035</u>	<u>24,846</u>	<u>(225,000)</u>	<u>1,856,881</u>
Less Accumulated Depreciation:				
Buildings and improvements	(440,750)	(20,042)	17,917	(442,875)
Land improvements	(139,333)	(15,800)	-	(155,133)
Furniture and equipment	<u>(695,220)</u>	<u>(82,130)</u>	<u>25,000</u>	<u>(752,350)</u>
Total Accumulated Depreciation	<u>(1,275,303)</u>	<u>(117,972)</u>	<u>42,917</u>	<u>(1,350,358)</u>
Governmental Activities Capital Assets, Net	<u>\$ 971,732</u>	<u>\$ (93,126)</u>	<u>\$ (182,083)</u>	<u>\$ 696,523</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 27,136
Public Safety	66,624
Public Works	870
Recreation and Culture	<u>23,342</u>
<b>Total</b>	<u>\$117,972</u>

**NOTE D – CAPITAL ASSETS (Continued):**

A summary of changes in business-type activities capital assets is as follows:

	Balance at January 1, 2005	Additions	Disposals	Balance at December 31, 2005
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Land	\$ 5,555	\$ -	\$ -	\$ 5,555
Total Capital Assets, not being depreciated	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	<u>27,100</u>	<u>9,301</u>	<u>-</u>	<u>36,401</u>
Total Capital Assets, being depreciated	<u>2,148,468</u>	<u>9,301</u>	<u>-</u>	<u>2,157,769</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	1,192,009	(45,297)	-	(1,237,306)
Equipment	<u>(27,100)</u>	<u>(1,240)</u>	<u>-</u>	<u>(28,340)</u>
Total Accumulated Depreciation	<u>(1,219,109)</u>	<u>(46,537)</u>	<u>-</u>	<u>(1,265,646)</u>
	<u>\$ 934,914</u>	<u>\$(37,236)</u>	<u>\$ -</u>	<u>\$ 897,678</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Wastewater Treatment Facility	<u>\$46,537</u>
Total Depreciation Expense – Business-Type Activities	<u>\$46,537</u>

**NOTE E – VESTED EMPLOYEE BENEFITS:**

Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. During 1994 the Township adopted a payout provision stating that upon retirement, death, or disability, employees with one or more years of service shall be paid for 50% of their accumulated leave up to a maximum of 90 days at their current rate of pay.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$ 14,991
Long-term portion	<u>44,972</u>
Total	<u>\$59,963</u>

**NOTE F – LONG-TERM DEBT:**

SCHEDULE OF MARQUETTE COUNTY REFUNDING BONDS  
UNLIMITED TAX, SERIES 1998  
December 31, 2005

	June 1	December 1		
	Interest	Interest	Principal	Total
2006	\$1,655	\$2,171	\$16,540	\$20,366
2007	1,100	2,651	16,540	20,291
2008	558	2,784	16,381	19,723
TOTALS	<u>\$3,313</u>	<u>\$7,606</u>	<u>\$49,461</u>	<u>\$60,380</u>

The Bonds originally issued for \$153,510 and dated December 7, 1998 mature annually as scheduled above and bears interest at 4.3 per annum.

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND  
December 31, 2005

	May		November	Total
	Principal	Interest	Interest	
2006	\$13,545	\$2,328	\$1,814	\$17,687
2007	14,513	1,814	1,262	17,589
2008	15,803	1,262	662	17,727
2009	17,416	662	-	18,078
TOTALS	<u>\$61,277</u>	<u>\$6,066</u>	<u>\$3,738</u>	<u>\$71,081</u>

The Bonds originally issued for \$171,920 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

Changes in long-term debt principal during the period ended December 31, 2005 are summarized as follows:

	January 1, 2005	Additions	Subtractions	December 31, 2005
<b>Governmental Activities:</b>				
This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.	<u>\$73,532</u>	\$ -	<u>\$12,255</u>	<u>\$61,277</u>
Total Governmental Activities	<u>73,532</u>	-	<u>12,255</u>	<u>61,277</u>
<b>Business-Type Activities:</b>				
This debt represents the Township's share of the Bond to form the Joint venture in the Marquette Area Wastewater Treatment Facility.	<u>66,001</u>	-	<u>16,540</u>	<u>49,461</u>
Total Business-Type Activities	<u>66,001</u>	-	<u>16,540</u>	<u>49,461</u>
<b>TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT</b>	<u>\$139,533</u>	\$ -	<u>\$28,795</u>	<u>\$110,738</u>

**NOTE G – RESERVED AND DESIGNATED NET ASSETS:**

The Wastewater Treatment Fund has reserved net assets totaling \$20,367 which represents the balance available to pay down debt.

## NOTE H – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$131,184,870, on which ad valorem taxes levied consisted of 4.0144 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

## NOTE I – INTERFUND TRANSFERS IN AND OUT:

	<u>Transfers In</u>		<u>Transfers Out</u>
Capital Improvement Fund	<u>\$33,200</u>	General Fund	<u>\$33,200</u>
TOTAL REPORTING ENTITY	<u>\$33,200</u>	TOTAL REPORTING ENTITY	<u>\$33,200</u>

## NOTE J – OTHER POST EMPLOYMENT BENEFITS:

The Charter Township of Chocolay offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended December 31, 2005 was \$-0-.

## NOTE K – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

## NOTE L – INVESTMENT IN WASTEWATER TREATMENT FACILITY:

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the "Marquette Area Wastewater Treatment Facility". Under those agreements the Township of Chocolay would own 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

On July 1, 1993, there was an amendment to the Marquette County Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the County of Marquette issued refunding bonds - unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay, and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.



## **NOTE L – INVESTMENT IN WASTEWATER TREATMENT FACILITY (Continued):**

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership. The total investment in the Facility at December 31, 2004 by the Township is \$445,317 including local contributions and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2005 is as follows:

Assets	\$5,760,122
Liabilities	507,468
Fund Equity	5,252,654
Total Operating Revenues	1,180,625
Total Operating Expenses	1,595,332
Net income (loss)	(282,406)
Township's share of net income (loss)	(4,429)

## **NOTE M – JOINT VENTURE:**

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

**NOTE M – JOINT VENTURE (Continued):**

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2005, is as follows:

Total Assets	\$13,560,611
Total Liabilities	2,075,460
Total Equity	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Net Income (loss)	624,875

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

**NOTE N – DEFERRED COMPENSATION PLAN:**

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The Township's Plan is administered by American Express (full time employees) and Wells Fargo Mid America Retirement Solutions (part time employees, and as Plan Administrators, agree to hold harmless and indemnify the Board, it's appointed and elected officers and participating employees from any loss resulting from American Express or Wells Fargo or their agents' failure to perform their duties and services pursuant to the American Express or Wells Fargo program.

**NOTE O – JOINT VENTURE:**

In the 1980s, Chocolay Township joined with 5 other municipalities to create the Marquette Board of Light and Power Utility Review Committee ("Committee"). The Committee was created to act as the principal overseer of the activities of the Marquette Board of Light and Power on behalf of the member Townships and provide advice to the Township on short and long term issues affecting the distribution of electricity to the Townships.

The Committee is governed by a Board of Trustees consisting of one (1) member from each of the member townships. All decisions of the Board are made by majority vote, consisting of at least three of its members.

**NOTE O – JOINT VENTURE (Continued):**

The Township's share of assets, liabilities, and fund equity is undetermined at this time. Summary financial information as of and for the fiscal year ended June 30, 2005, is as follows:

Total Assets	\$102,613
Total Liabilities	-
Total Equity	102,613
Total Operating Revenues	62,426
Total Operating Expenses	10,485
Net Income (loss)	51,941

The financial statement for the Marquette Board of Light and Power Utility Review Committee were not audited by us and therefore, we did not express an opinion on this financial amounts list above.

## REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

**Charter Township of Chocolay, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended December 31, 2005

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Taxes	\$ 545,558	\$ 545,558	\$ 553,959	\$ 8,401
Licenses and permits	3,050	3,050	6,769	3,719
State sources	479,267	491,501	500,558	9,057
Charges for services	145,714	173,714	209,608	35,894
Interest	10,000	10,000	17,349	7,349
Other revenues	147,574	192,042	45,824	(146,218)
<b>TOTAL REVENUES</b>	<b>1,331,163</b>	<b>1,415,865</b>	<b>1,334,067</b>	<b>(81,798)</b>
<b>EXPENDITURES:</b>				
Legislative	32,769	32,769	27,058	5,711
Elections	8,500	11,252	2,773	8,479
General services and administration	258,584	261,784	245,750	16,034
Public safety	296,082	339,832	313,343	26,489
Public works	176,497	176,497	120,564	55,933
Community and economic development	42,571	42,571	35,066	7,505
Recreation and culture	124,693	129,693	89,536	40,157
Other	391,467	388,267	289,735	98,532
<b>TOTAL EXPENDITURES</b>	<b>1,331,163</b>	<b>1,382,665</b>	<b>1,123,825</b>	<b>258,840</b>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>-</b>	<b>33,200</b>	<b>210,242</b>	<b>177,042</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	-	(33,200)	(33,200)	-
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<b>-</b>	<b>(33,200)</b>	<b>(33,200)</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>177,042</b>	<b>177,042</b>
Fund balance, beginning of year	747,113	747,113	747,113	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 747,113</b>	<b>\$ 747,113</b>	<b>\$ 924,155</b>	<b>\$ 177,042</b>

The accompanying notes are an integral part of these financial statements.

## Other Supplemental Information

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 505,511	\$ 505,389	\$ (122)
Penalties and interest	250	-	(250)
Trailer park fees	440	532	92
Payment in lieu of taxes	7,357	7,357	-
Tax collection fees	32,000	40,681	8,681
Total Taxes	<u>545,558</u>	<u>553,959</u>	<u>8,401</u>
Licenses and Permits:			
Animal licenses	550	549	(1)
Building permits	2,500	6,220	3,720
Total Licenses and Permits	<u>3,050</u>	<u>6,769</u>	<u>3,719</u>
State Sources:			
Public safety grants	12,234	31,673	19,439
Telecommunications	2,234	5,822	3,588
State revenue sharing	477,033	463,063	(13,970)
Total State Sources	<u>491,501</u>	<u>500,558</u>	<u>9,057</u>
Charges for Services:			
Franchise fees	28,000	53,285	25,285
Fire services	-	-	-
Refuse collection	145,714	156,323	10,609
Total Charges for Services	<u>173,714</u>	<u>209,608</u>	<u>35,894</u>
Interest	10,000	17,349	7,349
Total Interest	<u>10,000</u>	<u>17,349</u>	<u>7,349</u>
Other Revenues:			
Ordinance fines and costs	8,000	11,380	3,380
Administrative fee	-	-	-
Refunds and reimbursements	-	-	-
Miscellaneous other	184,042	34,444	(149,598)
Total Other Revenues	<u>192,042</u>	<u>45,824</u>	<u>(146,218)</u>
<b>TOTAL REVENUES</b>	<u>1,415,865</u>	<u>1,334,067</u>	<u>(81,798)</u>

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Board of Commissioners:			
Personnel services	\$ 4,150	\$ 2,950	\$ 1,200
Other services and charges	28,619	24,108	4,511
<b>TOTAL LEGISLATIVE</b>	<u>32,769</u>	<u>27,058</u>	<u>5,711</u>
<b>ELECTIONS:</b>			
Personnel services	4,355	975	3,380
Supplies	5,527	1,737	3,790
Other services and charges	1,370	61	1,309
<b>TOTAL ELECTIONS</b>	<u>11,252</u>	<u>2,773</u>	<u>8,479</u>
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	53,979	53,795	184
Other services and charges	-	-	-
Capital outlay	2,880	2,653	227
<b>Total Supervisor</b>	<u>56,859</u>	<u>56,448</u>	<u>411</u>
Assessor:			
Personnel services	37,121	37,178	(57)
Supplies	8,213	5,266	2,947
Other services and charges	2,890	1,640	1,250
<b>Total Assessor</b>	<u>48,224</u>	<u>44,084</u>	<u>4,140</u>
Clerk:			
Personnel services	77,641	75,410	2,231
Supplies	3,850	2,805	1,045
Other services and charges	9,725	6,499	3,226
Capital outlay	150	-	150
<b>Total Clerk</b>	<u>91,366</u>	<u>84,714</u>	<u>6,652</u>
Board of Review:			
Personnel services	1,240	840	400
Other services and charges	270	230	40
<b>Total Board of Review</b>	<u>1,510</u>	<u>1,070</u>	<u>440</u>



**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Treasurer:</b>			
Personnel services	\$ 28,508	\$ 28,474	\$ 34
Supplies	3,625	2,664	961
Other services and charges	4,400	4,182	218
Capital outlay	-	-	-
Total Treasurer	<u>36,533</u>	<u>35,320</u>	<u>1,213</u>
<b>Township Hall and Grounds:</b>			
Supplies	7,782	6,801	981
Other services and charges	19,510	17,313	2,197
Total Township Hall and Grounds	<u>27,292</u>	<u>24,114</u>	<u>3,178</u>
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<u>261,784</u>	<u>245,750</u>	<u>16,034</u>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	230,758	221,921	8,837
Supplies	1,501	1,154	347
Other services and charges	23,355	20,677	2,678
Capital outlay	18,942	18,446	496
Total Police Department	<u>274,556</u>	<u>262,198</u>	<u>12,358</u>
<b>Fire Department:</b>			
Personnel services	29,484	26,360	3,124
Other services and charges	26,451	22,053	4,398
Capital outlay	9,341	2,732	6,609
Total Fire Department	<u>65,276</u>	<u>51,145</u>	<u>14,131</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>339,832</u>	<u>313,343</u>	<u>26,489</u>
<b>PUBLIC WORKS:</b>			
<b>Streets:</b>			
Other services and charges	12,680	9,797	2,883
Total Streets	<u>12,680</u>	<u>9,797</u>	<u>2,883</u>

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Refuse Collection:			
Other services and charges	\$ 163,817	\$ 93,389	\$ 70,428
Debt payment	-	17,378	(17,378)
Total Refuse Collection	<u>163,817</u>	<u>110,767</u>	<u>53,050</u>
<b>TOTAL PUBLIC WORKS</b>	<u>176,497</u>	<u>120,564</u>	<u>55,933</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>			
Zoning:			
Personnel services	22,141	22,103	38
Supplies	560	224	336
Other services and charges	2,450	2,347	103
Total Refuse Collection	<u>25,151</u>	<u>24,674</u>	<u>477</u>
Planning Commission:			
Personnel services	4,520	2,960	1,560
Supplies	550	441	109
Other services and charges	7,690	4,404	3,286
Total Planning Commission	<u>12,760</u>	<u>7,805</u>	<u>4,955</u>
Appeals Board (Zoning and Planning):			
Personnel services	3,300	1,575	1,725
Supplies	160	50	110
Other services and charges	1,200	962	238
Total Appeals Board (Zoning and Planning)	<u>4,660</u>	<u>2,587</u>	<u>2,073</u>
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<u>42,571</u>	<u>35,066</u>	<u>7,505</u>
<b>RECREATION AND CULTURE:</b>			
Recreation and Grants:			
Personnel services	20,888	21,706	(818)
Supplies	150	44	106
Other services and charges	5,625	317	5,308
Total Recreation and Grants	<u>26,663</u>	<u>22,067</u>	<u>4,596</u>

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended December 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Center:			
Supplies	\$ -	\$ -	\$ -
Other services and charges	18,150	9,760	8,390
Total Community Center	<u>18,150</u>	<u>9,760</u>	<u>8,390</u>
Parks and Properties:			
Personnel services	66,743	49,339	17,404
Other services and charges	12,137	8,370	3,767
Capital outlay	6,000	-	6,000
Total Parks and Properties	<u>84,880</u>	<u>57,709</u>	<u>27,171</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>129,693</u>	<u>89,536</u>	<u>40,157</u>
<b>OTHER:</b>			
Fringe Benefits:			
Social security	39,257	36,861	2,396
Hospitalization	214,466	161,260	53,206
Retirement	52,649	49,446	3,203
Unemployment taxes	3,000	3,072	(72)
Total Fringe Benefits	<u>309,372</u>	<u>250,639</u>	<u>58,733</u>
Insurance and bonds	45,365	37,184	8,181
Miscellaneous	33,530	1,912	31,618
<b>TOTAL OTHER</b>	<u>388,267</u>	<u>289,735</u>	<u>98,532</u>
<b>TOTAL EXPENDITURES</b>	<u>1,382,665</u>	<u>1,123,825</u>	<u>258,840</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>33,200</u>	<u>210,242</u>	<u>177,042</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (Out):			
Capital Improvements	(33,200)	(33,200)	-
Total Transfers (Out)	<u>(33,200)</u>	<u>(33,200)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(33,200)</u>	<u>(33,200)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	-	177,042	177,042
Fund balance, beginning of year	<u>747,113</u>	<u>747,113</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 747,113</u>	<u>\$ 924,155</u>	<u>\$ 177,042</u>

**Charter Township of Chocolay, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**CAPITAL IMPROVEMENT FUND**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended December 31, 2005

**REVENUES:**

State sources	\$	66,682
Interest		17,493
Other		535,373
<b>TOTAL REVENUES</b>		<u>619,548</u>

**EXPENDITURES:**

Capital outlay		
Election		-
Assessor		-
Clerk		1,198
Computers		3,732
Building and grounds		8,955
Buildings		-
Police department		1,900
Police training		908
Fire department		16,170
Streets		-
Sanitation		16,370
Marina		-
Water department		-
Recreation and grants		63,850
Community center		-
Conditional donations		-
Recreation and properties		-
Zoning and planning		184
Miscellaneous		-
<b>Total Capital Outlay</b>		<u>113,267</u>

**TOTAL EXPENDITURES** 113,267

**EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** 506,281

**OTHER FINANCING SOURCES (USES):**

Transfers in	33,200
Transfers (out)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>33,200</u>

**CHANGES IN FUND BALANCE** 539,481

Fund balance, beginning of year 805,178

**FUND BALANCE, END OF YEAR** \$ 1,344,659

**Charter Township of Chocolay, Michigan**

**FIDUCIARY FUNDS**

**COMBINING STATEMENT OF NET ASSETS**

December 31, 2005

	Trust & Agency Fund	Tax Collection Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,347	\$ 269,109	\$ 271,456
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 2,347</u>	<u>\$ 269,109</u>	<u>\$ 271,456</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ 62,999	\$ 62,999
Due to others	2,347	206,110	208,457
<b>TOTAL LIABILITIES</b>	<u>\$ 2,347</u>	<u>\$ 269,109</u>	<u>\$ 271,456</u>

# Compliance Supplements



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees  
Charter Township of Chocoday, Michigan  
5010 U.S. Highway 41 South  
Marquette, Michigan 49855

We have audited the financial statements of the Charter Township of Chocoday, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and other matters

As part of obtaining reasonable assurance about whether the Charter Township of Chocoday, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Chocoday, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

March 3, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARTNERS

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JOHN W. BLEMBERG, CPA

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ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

March 3, 2006

To the Supervisor and Township Board  
Charter Township of Chocolay, Michigan  
5010 U. S. Highway 41, South  
Marquette, MI. 49855

We have audited the financial statements of the Charter Township of Chocolay, Michigan for the year ended December 31, 2005, and have issued our report thereon dated March 3, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the organizations compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of accounting policies and their application. The significant accounting policies used are described in the Footnotes of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



Supervisor and Township Board  
Charter Township of Chocolay, Michigan

#### **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded, either individually or in the aggregate, indicate matters that could have a significant effect on the financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

#### **Conclusion**

This information is intended solely for the use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants